

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 INT-08 GSA-02 IO-14 L-03 H-03 PA-04 PRS-01

USIA-15 DRC-01 /188 W

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R 272120Z AUG 74

FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC 8469

C O N F I D E N T I A L SECTION 1 OF 2 PORT AU PRINCE 1674/1

E.O. 11652: GDS

TAGS: EINV, EMIN, EAID

SUBJECT: US POSITION ON DEVELOPMENT OF HAITIAN COPPER RESOURCES

1. SUMMARY. IN VIEW OF VIRTUAL CERTAINTY THAT HAITI HAS SUBSTANTIAL MINERAL DEPOSITS, PARTICULARLY COPPER, WHICH CAN BE EXPLOITED UNDER PRESENT CONDITIONS, THE GOH MUST SOON DEVELOP FRAMEWORK FOR MINERALS EXPLOITATION WHICH WILL SPECIFY PART TO BE PLAYED BY FOREIGN INVESTMENT AND INTERNATIONAL ORGANIZATIONS. BECAUSE IMPORTANT US INTERESTS ARE INVOLVED IN THESE DECISIONS, USG SHOULD, AFTER ANALYZING THE VARIOUS POSSIBILITIES, BE PREPARED TO URGE GOH TO ADOPT POLICIES WHICH WILL BENEFIT BOTH COUNTRIES. END SUMMARY.

2. FULL EXTENT AND QUALITY OF MINERALS RESOURCES IN HAITI ARE NOT YET KNOWN, BUT PRESENT EXPECTATIONS ARE THAT, AS MINIMUM, SIZEABLE DEPOSITS OF COPPER (AND ALSO GOLD) EXIST. UN MINERALS SURVEY TEAM, WHICH IS CURRENTLY EXAMINING NORTHERN SECTOR OF COUNTRY, HAS APPARENTLY IDENTIFIED SUBSTANTIAL DEPOSITS. KENNECOTT EXPLORATION COMPANY, WHICH HAS BEEN EXPLORING FOR PAST EIGHT MONTHS, IS EXTREMELY INTERESTED IN TAKING OVER A CONCESSION AREA ALSO IN NORTHERN HAITI WHICH WAS AWARDED PRIOR TO INAUGURATION UN
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PROJECT, THEREFORE NOT COVERED BY CURRENT UN SURVEY ACTIVITIES.

WORD IS BEGINNING TO LEAK OUT THAT LARGE DEPOSITS ARE INVOLVED AND AS A RESULT INDIVIDUALS AND COMPANIES, BOTH NATIONAL AND FOREIGN, ARE BEGINNING TO JOCKEY FOR POSITION. THE CONFLICT AMONG THE VARIOUS INTERESTS IS LIKELY TO BECOME MORE INTENSE AS GOH MOVES TOWARD ESTABLISHING NATIONAL POLICY IN MINERALS FIELD. (NOTE: UNDER ITS AGREEMENT WITH UNDP, GOH HAS PROMISED NOT TO GRANT ADDITIONAL CONCESSIONS IN NORTHERN HAITI UNTIL AREA INVOLVED HAS BEEN SURVEYED BY UN.)

3. THE FOLLOWING BRIEF SUMMARY OUTLINES EMBASSY UNDERSTANDING OF THE POSITIONS OF THE VARIOUS PARTIES INVOLVED AT PRESENT.

A. UN TEAM IS RECOMMENDING (1) THAT HAITI NOT GRANT ANY CONCESSIONS UNTIL GOH ADOPTS A NEW MINERALS CODE AND UNTIL TEAM HAS COMPLETED ITS SURVEY (ORIGINAL PROJECT AREA COVERED 9000 SQ. KM.) AND (2) THAT ALL CONCESSIONS BE GRANTED ON BASIS OF INTERNATIONAL BIDDING. UN TEAM WOULD ALSO LIKE TO EXPAND ITS OPERATIONS INTO AREAS PRESENTLY GRANTED TO CONCESSIONNAIRES AND THUS BE ABLE TO PREPARE COMPLETE SURVEY OF MINERAL SOURCES IN NORTHERN HAITI.

B. US COMPANY KENNECOTT REQUESTED LAST NOVEMBER THE TRANSFER OF A SIZEABLE (APPROX. 1500 SQ. KM.) CONCESSION ORIGINALLY GRANTED TO SMALL COMPANY HAICANA WHICH HAS NOT FULFILLED ITS OBLIGATIONS UNDER THE AGREEMENT. KENNECOTT, WHICH HAS BEEN CONDUCTING EXPLORATORY

WORK IN HAICANA AREA UNDER TEMPORARY AUTHORIZATION FROM GOH AND HAS PRESENTED FULL-SCALE EXPLORATION/DEVELOPMENT PROPOSAL TO PRESIDENT, HAS INVESTED SOME \$100,000 ALREADY. IF GOH ISSUES LETTER TRANSFER-RING CONCESSION, KENNECOTT WOULD PLAN TO INCREASE INVESTMENT FOR EXPLORATION NEXT YEAR TO ABOUT QUARTER OF A MILLION DOLLARS.

C. FRENCH COMPANY PENNAROYA HAS A RIGHT OF EXPLORATION CONTRACT IN NORTHERN HAITI (TWO SMALL GEOGRAPHICALLY SEPARATE AREAS OF 100 SQ. KM. EACH) AND REPORTEDLY HAS SIGNED WITH THE GOH AN EXPLORATION/DEVELOPMENT CONTRACT FOR SAME AREA. THIS CONTRACT IS NOT YET OFFICIAL

SINCE IT HAS NOT YET BEEN PRINTED IN LE MONITEUR (AND PRINTING IN LE MONITEUR MAY STILL BE DEPENDENT ON OBTAINING SIGNATURE OF CHIEF OF HAITIAN BUREAU OF MINERALS). IN ANY CASE, PENNAROYA WOULD LIKE LARGER STAKES IN COPPER AND HAS MADE TWO TRIES--ONE A REQUEST IN CONFIDENTIAL

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EARLY 1973 TO TAKE OVER THE HAICANA CONCESSION (DENIED BY GOH) AND ONE A PROPOSAL TO KENNECOTT TO ENGAGE IN A JOINT PROJECT.

D. THE EUROPEAN COMMUNITY APPARENTLY ALSO IS DEVELOPING AN INTEREST IN HAITIAN COPPER. AMBASSADOR TRAN VAN THINH, WHO HEADED EC DELEGATION VISITING HAITI IN JULY TO DISCUSS TRADE PROBLEMS, TOOK ADVANTAGE OF INFORMAL SESSION WITH EMBOFFS TO EXPRESS HOPE THAT US WOULD URGE PRESIDENT DUVALIER TO DELAY GRANTING ALL COPPER

CONCESSIONS UNTIL NEW MINERAL CODE IS ENACTED AND SURVEY TEAM FINISHES WORK. HE ALSO SUGGESTED US AND EUROPEAN COMPANIES SHOULD WORK TOGETHER.

E. GOH HAS NOT YET AGREED ON A POSITION. IN MEANTIME THE CHIEF OF HAITIAN BUREAU OF MINERALS, WHO IS CO-DIRECTOR OF UN SURVEY TEAM, HAS REFUSED TO TAKE ANY ACTION ON NEW REQUESTS FOR CONCESSIONS OR ON THE KENNECOTT PROPOSAL IN SPITE OF PRESSURES TO DO SO.

4. BASIC INTEREST OF US IS LONG-TERM ACCESS TO IMPORTANT SOURCE OF RAW MATERIAL, WITH ADDITIONAL BENEFIT THAT PROPERLY INTEGRATED AND PLANNED DEVELOPMENT OF MINERAL RESOURCES WILL ASSIST HAITI'S BALANCE OF PAYMENTS AND ITS ABILITY TO CONTRIBUTE TO OWN ECONOMIC DEVELOPMENT. KEY TO ACHIEVING BOTH GOALS IS DEVELOPMENT OF CONCESSION CONTRACT OR CONTRACTS WHICH WILL BE ACCEPTABLE TO BOTH HAITI AND FOREIGN INVESTORS OVER THE MEDIUM TO LONG TERM.

5. USG WILL NEED TO DECIDE WHETHER TO TAKE A RELATIVELY ACTIVE ROLE OR RELATIVELY PASSIVE ROLE VIS-A-VIS GOH, INTERNATIONAL ORGANIZATIONS, AND PRIVATE COMPANIES. IN MAKING DECISION, WE MUST BEAR IN MIND FOLLOWING FACTS OF LIFE IN HAITI: (1) SINCE MOST HAITIANS BELIEVE USG HAS MAJOR VOICE KEY DECISIONS OF THIS NATURE, WE WILL BE PRAISED AND BLAMED FOR FINAL OUTCOME REGARDLESS OF OUR ACTUAL ROLE; (2) CHANCES OF HAITI NEGOTIATING SUITABLE CONTRACT WITHOUT OUTSIDE PROFESSIONAL ASSISTANCE ARE REMOTE, AT LEAST JUDGING FROM HISTORICAL PRECEDENT; AND (3) THE CHARGES AND COUNTER-CHARGES OF INTERFERENCE AND SELF-AGGRANDIZEMENT, WHICH HAVE ALREADY BEEN MADE AGAINST ALL PARTIES INVOLVED, WILL ONLY CONTINUE AND INTENSIFY AS TIME GOES ON. ON SUBSTANTIVE ISSUES, USG FACED WITH AT LEAST TWO BASIC OPTIONS.

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INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

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USIA-15 DRC-01 /188 W

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C O N F I D E N T I A L SECTION 2 OF 2 PORT AU PRINCE 1674/2

6. OPTION 1: RECOMMEND TO GOH THAT IT:

A. OBTAIN ADVISORY SERVICES RE GRANTING CONCESSIONS FROM OUTSIDE
HAITI--DRAWING ON EITHER AN INTERNATIONAL GROUP OR PRIVATE CON-
SULTANTS.

B. PROMPTLY ENACT NEW MINING CODE ALONG LINES OF DRAFT
PREPARED BY UN EXPERT.

C. CANCEL ANY CONCESSIONS WHERE ORIGINAL CONCESSIONAIRE
HAS NOT FULFILLED HIS OBLIGATIONS.

D. COMPLETE MINERAL SURVEY OF AN AREA BEFORE AREA IS OPENED
FOR CONCESSIONS.

E. PROVIDE ALL MAJOR MINING COMPANIES CHANCE TO SUBMIT
PROPOSALS BEFORE ANY SPECIFIC CONCESSIONS ARE AWARDED, I.E.,
INTERNATIONAL BIDDING.

PRO: ABOVE PACKAGE OF PROPOSALS PROVIDES:

A. BASIS FOR MOVING AHEAD IN ORDERLY FASHION WITH DEVELOPMENT
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OF COPPER RESOURCES AND THEREBY MINIMIZES DANGER OF STALEMATE
BETWEEN COMPETING GROUPS WITHIN GOH.

B. ASSURANCE THAT GOH WILL OBTAIN GENEROUS ECONOMIC BENEFITS
AND THAT RESPONSIBLE FOREIGN COMPANIES WILL BE GIVEN CONCESSIONS.

C. SOME ASSURANCE THAT CONCESSION AGREEMENT WILL BE RESPECTED,
SINCE IF GOH FOLLOWS SOUND PROCEDURES CHARGES THAT THE AGREEMENT
IS ONE-SIDED WILL BE MINIMIZED.

CON: ABOVE PACKAGE OF PROPOSALS:

A. PREVENTS GOH FROM MOVING PROMPTLY TO ACCEPT POSSIBLE
FAVORABLE OFFERS FOR AREAS NOT BEING SURVEYED BY UN. E.G.,
KENNECOTT OFFER FOR HAICANA CONCESSIONAL AREA.

B. COULD DELAY GRANTING OF CONCESSIONS AND RECEIPT OF

BENEFITS BY GOH SINCE UNDER UN TIMETABLE FIRST MAJOR CONCESSION WOULD NOT BE AVAILABLE FOR BIDS BEFORE LATTER HALF OF 1975, AND EVEN THEN COMPANIES WOULD HAVE TO DO SOME EXPLORING OF THEIR OWN IN PREPARATION FOR SUBMISSION OF BIDS. IF UNNECESSARILY BUREAUCRATIC PROCEDURES ARE ESTABLISHED AND/OR IF CONDITIONS FOR CONCESSIONS ARE SO RESTRICTIVE THAT RESPONSIBLE FOREIGN INVESTORS REFUSE TO SUBMIT OFFERS, DELAYS COULD BE INTERMINABLE.

C. COULD BE WORKING DIRECTLY AGAINST INTERESTS OF US COMPANY WHICH IS ANXIOUS TO NEGOTIATE A CONCESSION CONTRACT BUT WHICH IS NOT INTERESTED IN NEGOTIATING UNDER INTERNATIONAL BIDDING ARRANGEMENTS.

D. COULD (IF GOH CANCELLED ANY CONCESSIONS WHERE ORIGINAL CONCESSIONNAIRE HAS NOT FULFILLED ITS OBLIGATIONS) ELIMINATE KENNECOTT (SINCE HAICANA DID NOT FULFILL ITS OBLIGATIONS) AND LEAVE FRENCH COMPANY PENNAROYA, WHICH HAS COMPLIED WITH ITS COMMITMENTS, AS ONLY FOREIGN COMPANY WITH A VALID RIGHT OF EXPLORATION CONTRACT IN HAITI AND THUS IN A PREFERENTIAL POSITION TO UNDERTAKE BIDDING IN UN PROJECT AREA.

E. WOULD LIMIT USG FREEDOM OF ACTION IF GOH TAKES STEPS WHICH ARE HARMFUL TO US INTERESTS.

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7. OPTION 2: AVOID MAKING DETAILED PROCEDURAL RECOMMENDATION TO GOH, PROVIDE SUPPORT TO KENNECOTT OR ANY AMERICAN COMPANY WHICH MAKES REASONABLE OFFER TO GOH FOR CONCESSIONS IN THE ZONE OUTSIDE OF THE UN SURVEY AREA, BUT SUGGEST THAT GOH OBTAIN ADVISORY SERVICES OF PRIVATE CONSULTANTS AS PRELIMINARY TO NEGOTIATING CONTRACTS WITH ANY FOREIGN COPPER COMPANIES, US FIRMS INCLUDED.

PRO: ABOVE POSITION SHOULD:

A. ENCOURAGE EARLY DEVELOPMENT OF HAITI'S COPPER RESOURCES.

B. HELP ASSURE THAT AN AMERICAN COMPANY, AND THUS AMERICAN ECONOMY, WILL BENEFIT FROM DEVELOPMENT HAITI'S COPPER RESOURCES AND WILL HAVE ACCESS TO RAW MATERIAL.

C. GIVE US MAXIMUM FLEXIBILITY IN DEALING WITH COMPLEX PROBLEM OF DEVELOPING HAITI'S MINERAL DEPOSITS.

CON: ABOVE POSITION:

A. UNDERCUTS THE INTENT IF NOT THE LETTER OF UN RECOMMENDATIONS AND PUTS US IN ADVERSARY POSITION VIS-A-VIS UN AND OTHER FOREIGN GOVERNMENTS WHO WISH TO SEE THEIR COMPANIES PARTICIPATE IN DEVELOPMENT COPPER RESOURCES.

B. INCREASES POSSIBILITY THAT SEPARATE US CONTRACT, IF NEGOTIATED, MIGHT PROVE UNSATISFACTORY TO GOH OVER MEDIUM OR LONG TERM, AN OUTCOME WHICH IN TURN WOULD JEOPARDIZE US LONG-TERM RELATIONS. FOR EXAMPLE, AFTER US COMPANY SIGNS CONCESSION CONTRACT WITH GOH, A NEW HAITIAN MINERALS CODE OR OTHER CONTRACTS MIGHT IMPOSE MORE STRINGENT CONDITIONS ON FOREIGN CONCESSIONNAIRES THAN WERE IMPOSED ON US COMPANY OR, ALTERNATIVELY, PROVIDE MORE FAVORABLE RETURNS (VIA TAXES OR PARTICIPATION) TO THE GOH THAN THE US COMPANY WAS FURNISHING. IN EITHER EVENT, THERE WOULD BE PRESSURE TO RENEGOTIATE CONTRACT, WITH RESULTANT STRAINS ON US-HAITIAN RELATIONS. (THIS RISK, HOWEVER, WOULD BE MINIMIZED IF THE CONTRACT WITH US COMPANY REFLECTED ESSENTIAL ELEMENTS OF A SOUND MINING CODE (NO SECRET) AND IF THE GOH FELT THAT ITS INTERESTS IN RENEGOTIATING CONTRACT HAD BEEN SAFEGUARDED BY EXPERIENCED US PRIVATE ADVICE.)

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C. INVOLVES RISK THAT GOH WILL USE BAD PROCEDURES IN GRANTING CONCESSION AND WILL MAKE DECISION WHICH HURTS US ECONOMIC/POLITICAL INTERESTS.

8. ABOVE DISCUSSION OPTIONS BASED ON INFORMATION AVAILABLE TO DATE. BEFORE MAKING SPECIFIC RECOMMENDATION I WOULD APPRECIATE RECEIVING WASHINGTON'S VIEWS ON:

A. TRACK RECORD OF UN MINERALS SURVEY OPERATIONS, PARTICULARLY PRACTICAL RESULTS AND EFFECTIVENESS OF UN ASSISTANCE IN SETTING UP INTERNATIONAL BIDDING FOR CONCESSION AWARDS.

B. WILLINGNESS AND COMPETENCE OF IBRD AND/OR OTHER INTERNATIONAL ORGANIZATIONS TO TAKE ACTIVE ROLE WITH GOH IN ESTABLISHING PROCEDURES FOR GRANTING CONCESSIONS AND IN SELECTING CONCESSIONNAIRES.

C. ALTERNATIVE SOURCES OF ADVICE FOR GOH, E.G., USE BY GOH OF PRIVATE FOREIGN CONSULTANT RATHER THAN INTERNATIONAL BODY IN AWARDING CONCESSIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, ECONOMIC DEVELOPMENT, POLICIES, FOREIGN POLICY POSITION, MINERAL RESERVES, FOREIGN INVESTMENTS, EXPLOITATION (NATURAL RESOURCES), INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 27 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinml
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PORTA01674
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740237-0422
From: PORT AU PRINCE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1974/newtext/t19740815/aaaaambu.tel
Line Count: 322
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 16 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 SEP 2002 by boyleja>; APPROVED <26 FEB 2003 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US POSITION ON DEVELOPMENT OF HAITIAN COPPER RESOURCES
TAGS: EINV, EMIN, EAID, US, HA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005